

Office of the Legislative Auditor

State of Montana



Report to the Legislature

November 1994

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 1994

Office of the Governor and Lieutenant Governor

We issued an unqualified opinion on the financial schedules of the office. Our report contains one recommendation regarding reporting Board of Pardons activity to the legislature.

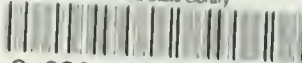
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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1993 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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STATE OF MONTANA

Office of the Legislative Auditor



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MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

November 1994

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 1994. We issued an unqualified opinion on the financial schedules of the office. Our report contains one recommendation regarding reporting Board of Pardons activity to the legislature. The office's response is contained at the end of the report.

We thank the Governor, Lieutenant Governor, and their staffs for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1994

Office of the Governor and Lieutenant Governor

Members of the audit staff involved in this audit were: Laurie Evans,
Paul J. O'Loughlin, Vickie Rauser, and Catherine L. Scarff.

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Elected and Administrative Officials

Office of the Governor and Lieutenant Governor

Governor	Marc Racicot
Chief of Staff	Judy Browning
Lieutenant Governor	Dennis Rehberg
Chief of Staff	Betti Hill
Centralized Services Manager	Mary Jo Murray

Summary of Recommendations

The listing below serves as a means of summarizing the recommendation contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office:

- A. Comply with state statute requiring the Governor's Office report to the Legislature on Board of Pardon's activity; and
- B. If necessary, seek legislation to repeal the statute. 4

Office Response: Concur. See page B-3.

Introduction

Introduction

We performed a financial-compliance audit of the Office of the Governor and Lieutenant Governor (the office) for the two fiscal years ended June 30, 1994. The objectives of the audit were to:

1. Determine if the office complied with applicable federal and state laws and regulations.
2. Determine the implementation status of prior audit recommendations.
3. Recommend improvements in the management and internal controls of the office.
4. Determine if the financial schedules present fairly the office's results of operations for the two fiscal years ended June 30, 1994.

There is one recommendation in this report regarding compliance with state law. In accordance with section 5-13-307, MCA, we analyzed the cost to implement the recommendation and believe the cost is not significant to the office. Areas of concern regarding compliance with laws and regulations and state accounting policy deemed not to have a significant effect on the successful operations of the office's programs are not specifically included in this report, but have been discussed with management.

Background

The Governor's Office was created upon acceptance of Montana into the Union in 1889 and is provided for in Article VI of the Montana Constitution. The following paragraphs discuss the functions of the various programs administered by the Office of the Governor and Lieutenant Governor and budgeted full-time equivalent (FTE) positions for each program. The office had a total of 50.25 FTE positions budgeted for fiscal year 1993-94.

Executive Office - oversees and directs the activities of the executive branch agencies to ensure responsible and responsive government for the people of Montana (20.5 FTE).

Lieutenant Governor - performs duties prescribed by the law and those delegated to him by the Governor. The Lieutenant

Introduction

Governor's Office serves as the liaison between state and local governments (5 FTE).

Office of Budget and Program Planning - assists the governor in planning, preparing, and administering the state budget; develops and evaluates alternative program plans for providing state government services; acts as the lead executive branch agency for compliance with the federal Single Audit Act (16.25 FTE).

Citizens' Advocate Office - provides accessibility to state government for Montana citizens by providing information to citizens and acting as a referral service to state agencies (1.5 FTE).

Mental Disabilities Board of Visitors - comprised of a five-member board charged with the responsibility of protecting the rights of the mentally ill and the developmentally disabled. The board is also custodian of specific patient accounts at Montana State Hospital (4.5 FTE).

Mansion Maintenance - maintains the Governor's official residence and provides security coverage for the Governor and his family (1.5 FTE).

Air Transportation - provides transportation for the Governor and his staff. The Governor's aircraft is available to other state agencies for a fee. Fee revenues are used for aircraft operating and maintenance costs. (1.0 FTE)

Northwest Power Planning Council - (fiscal year 1992-93) created in 1981, pursuant to The Pacific Northwest Electric Power Planning and Conservation Act of 1980. The goals of the council are to plan for the Northwest's electric power needs, protect and rehabilitate fish and wildlife resources, and encourage public involvement in regional decisions (6.5 FTE).

As of June 30, 1993 the council staff employed by the state of Montana became employees of the Northwest Power Planning Council's central office. This resulted from an executive directive to restructure Montana's participation in the council.

Prior Audit Recommendations

Prior Audit Recommendations

Our prior audit report, for the two fiscal years ended June 30, 1992, contained four recommendations to the office, three of which are still applicable. The office concurred with and implemented these three recommendations.

Findings and Recommendations

Report on Board of Pardons Activity

Section 46-23-316, MCA, requires the Governor ". . . report to the legislature each case of remission of fine or forfeiture, respite, commutation, or pardon granted since the last previous report. . ." The report is to include the name of the convict; the details pertaining to the action taken, as well as reasons for the action; and any objecting members of the Board of Pardons (board).

It is not known if any report has ever been filed under this statute. However, no report has been filed for at least ten years, although the board maintains records which indicate that activity warranting a report occurred during each of those years.

The report required by section 46-23-316, MCA, may be unnecessary, however, the office should first determine whether there is a need for this report and proceed accordingly. The report should be prepared and distributed to the legislature in accordance with state law and, if necessary, repeal of the law should be sought.

Recommendation #1

We recommend the office:

- A. Comply with state statute requiring the Governor's Office report to the Legislature on Board of Pardons activity; and**
- B. If necessary, seek legislation to repeal the statute.**

Northwest Power Planning Council Salaries

During the 1993 Legislative session the Northwest Power Planning Council (council) program within the Governor's office was eliminated as a state agency function. The council function still exists and Montana is still represented by two council members appointed by the Governor. Included in the appropriations bill language, Chapter 30, Laws of Montana, Special Session November 1993, was a line item provision which states "It is the intent of the Legislature that salaries for the Montana members of the Pacific Northwest Electric Power and Conservation Planning Council be consistent with the salary levels of the directors of the Montana executive branch agencies." The salary for directors of executive agencies ranges from \$54,307 for those directors who are appointed by the Governor and whose salaries are determined by the Governor to \$63,244 for the director of the Department of Livestock, whose salary is determined by the Board of Livestock.

Section 90-4-404, MCA, providing for the determination of compensation for the two council members, states the members' compensation shall be determined by the governor in consultation with the governors of the other participating states. The governor established an annual council member salary of \$73,165 in June 1993. This salary represents the average salary of council members for the three other participating states (Idaho, Oregon, and Washington).

A contradiction between appropriation bill language and statute was addressed in 39 Opinions of the Attorney General, #25, which states if the restrictions in the appropriation bill clearly conflict with the substantive statutory obligations the department (office) should follow the provisions of the statute. The governor set salaries in accordance with statutory provisions, therefore, we present this information for disclosure purposes only.

Independent Auditor's Report & Office Financial Schedules



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

Office of the Legislative Auditor

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MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Office of the Governor and Lieutenant Governor for each of the two fiscal years ended June 30, 1993 and 1994, as shown on pages A-5 through A-13. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Governor and Lieutenant Governor for each of the two fiscal years ended June 30, 1993 and 1994, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in cursive script, reading "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

September 2, 1994

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994

	<u>General Fund</u>	<u>Special Revenue Funds</u>
FUND BALANCE: July 1, 1992	\$ <u>0</u>	\$ <u>619,235</u>
ADDITIONS		
<u>Fiscal Year 1992-93</u>		
Budgeted Revenue & Transfers In	8,497	464,463
Support From State of Montana	2,361,800	
Direct Entries to Fund Balance		29,629
 <u>Fiscal Year 1993-94</u>		
Budgeted Revenue & Transfers In	4,864	795,680
Support From State of Montana	2,228,017	
Prior Year Revenue Adjustments	(3)	1,267
Total Additions	<u>4,603,175</u>	<u>1,291,039</u>
REDUCTIONS		
<u>Fiscal Year 1992-93</u>		
Budgeted Expenditures & Transfers Out	2,339,439	461,011
Prior Year Expenditure Adjustments	1,230	43
Direct Entries to Fund Balance	29,629	
Prior Year Revenue Adjustments		29,629
 <u>Fiscal Year 1993-94</u>		
Budgeted Expenditures & Transfers Out	2,212,678	510,289
Prior Year Expenditure Adjustments	20,199	533
Cash Transfers Out		125,484 ¹
Total Reductions	<u>4,603,175</u>	<u>1,126,989</u>
FUND BALANCE: June 30, 1994	\$ <u><u>0</u></u>	\$ <u><u>783,285</u></u>

¹ See note 5 on page A-12.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

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OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
 SCHEDULE OF BUDGETED REVENUE AND TRANSFERS IN - ESTIMATE AND ACTUAL
 FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994

	Charges For Services	Sale of Documents, Merchandise	Miscellaneous	Federal Indirect Cost Recoveries	Grants, Gifts and Donations	Other Financing Sources	Federal	Total
<u>Fiscal Year 1992-93</u>								
GENERAL FUND								
Estimated Revenue	\$ 5,000	\$ 5,000	\$ 100					\$ 10,100
Actual Revenue	<u>4,633</u>	<u>3,335</u>	<u>529</u>					<u>8,497</u>
Collections Over (Under) Estimate	\$ <u>(367)</u>	\$ <u>(1,665)</u>	\$ <u>429</u>					\$ <u>(1,603)</u>
SPECIAL REVENUE FUND								
Estimated Revenue	\$ 10,000			\$15,328	\$135,641		\$439,201	\$ 600,170
Actual Revenue	<u>6,808</u>			<u>15,632</u>	<u>86,676</u>		<u>355,347</u>	<u>464,463</u>
Collections Over (Under) Estimate	\$ <u>(3,192)</u>			\$ <u>304</u>	\$ <u>(48,965)</u>		\$ <u>(83,854)</u>	\$ <u>(135,707)</u>
<u>Fiscal Year 1993-94</u>								
GENERAL FUND								
Estimated Revenue	\$ 5,000	\$ 5,000	\$ 100					\$ 10,100
Actual Revenue	<u>926</u>	<u>3,938</u>	<u>0</u>					<u>4,864</u>
Collections Over (Under) Estimate	\$ <u>(4,074)</u>	\$ <u>(1,062)</u>	\$ <u>(100)</u>					\$ <u>(5,236)</u>
SPECIAL REVENUE FUND								
Estimated Revenue	\$122,000			\$ 14,794	\$137,382	\$127,667	\$ 866,700	\$1,268,543
Actual Revenue	<u>54,667</u>			<u>4,199</u>	<u>63,314</u>	<u>63,750</u>	<u>609,750</u>	<u>795,680</u>
Collections Over (Under) Estimate	\$ <u>(67,333)</u>			\$ <u>(10,595)</u>	\$ <u>(74,068)</u>	\$ <u>(63,917)</u>	\$ <u>(256,950)</u>	\$ <u>(472,863)</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

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OFFICE OF THE GOVERNOR AND THE LIEUTENANT GOVERNOR
 SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	Governor's Office	Mansion Maintenance	Air Transportation	Office of Budget & Program Planning	Lieutenant Governor	Citizens' Advocate Office	Mental Disability Board of Visitors	Total
PERSONAL SERVICES								
Salaries	\$ 597,884	\$25,555	\$ 25,968	\$544,563	\$ 140,560	\$ 44,355	\$124,797	\$1,503,682
Employee Benefits	<u>152,104</u>	<u>6,762</u>	<u>5,652</u>	<u>125,608</u>	<u>29,399</u>	<u>11,991</u>	<u>32,019</u>	<u>363,535</u>
Total	<u>749,988</u>	<u>32,317</u>	<u>31,620</u>	<u>670,171</u>	<u>169,959</u>	<u>56,346</u>	<u>156,816</u>	<u>1,867,217</u>
OPERATING EXPENSES								
Other Services	268,407	2,823	5,404	40,017	8,724	1,112	6,340	332,827
Supplies & Materials	19,021	13,256	32,595	6,779	2,478	337	4,241	78,707
Communications	43,801	298	1,036	10,085	8,131	12,262	4,266	79,879
Travel	32,836		17,092	4,569	17,621		8,609	80,727
Rent	34,645			22,578	5,819		2,359	65,401
Repair & Maintenance	11,036	2,116	67,999	6,472	3,785		1,612	93,020
Other Expenses	<u>49,012</u>	<u>558</u>	<u>200</u>	<u>22,734</u>	<u>3,839</u>		<u>1,666</u>	<u>78,009</u>
Total	<u>458,758</u>	<u>19,051</u>	<u>124,326</u>	<u>113,234</u>	<u>50,397</u>	<u>13,711</u>	<u>29,093</u>	<u>808,570</u>
EQUIPMENT AND INTANGIBLE ASSETS								
Equipment	<u>35,680</u>			<u>3,859</u>	<u>4,496</u>		<u>3,145</u>	<u>47,180</u>
Total	<u>35,680</u>			<u>3,859</u>	<u>4,496</u>		<u>3,145</u>	<u>47,180</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,244,426</u>	<u>\$51,368</u>	<u>\$155,946</u>	<u>\$787,264</u>	<u>\$ 224,852</u>	<u>\$ 70,057</u>	<u>\$189,054</u>	<u>\$2,722,967</u>
GENERAL FUND								
Budgeted	\$ 905,651	\$52,198	\$128,438	\$796,141	\$ 174,653	\$ 58,175	\$138,981	\$2,254,237
Actual	<u>883,522</u>	<u>51,368</u>	<u>126,946</u>	<u>787,264</u>	<u>168,909</u>	<u>55,829</u>	<u>138,840</u>	<u>2,212,678</u>
Unspent Budget Authority	<u>\$ 22,129</u>	<u>\$ 830</u>	<u>\$ 1,492</u>	<u>\$ 8,877</u>	<u>\$ 5,744</u>	<u>\$ 2,346</u>	<u>\$ 141</u>	<u>\$ 41,559</u>
SPECIAL REVENUE FUND								
Budgeted	\$1,492,109 ¹		\$ 42,000		\$ 207,005 ¹	\$ 15,096	\$ 54,802	\$1,811,012
Actual	<u>360,904</u>		<u>29,000</u>		<u>55,943</u>	<u>14,228</u>	<u>50,214</u>	<u>510,289</u>
Unspent Budget Authority	<u>\$1,131,205</u>		<u>\$ 13,000</u>		<u>\$ 151,062</u>	<u>\$ 868</u>	<u>\$ 4,588</u>	<u>\$1,300,723</u>

¹See note 7 on page A-13.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

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OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	Governor's Office	Mansion Maintenance	Air Transportation	Office of Budget & Program Planning	Northwest Regional Power Act ¹	Lieutenant Governor	Citizens' Advocate Office	Mental Disability Board Visitors	Total
PERSONAL SERVICES									
Salaries	\$ 632,395	\$34,204	\$ 1,570	\$552,875	\$ 263,674	\$ 97,921	\$ 44,211	\$127,742	\$1,754,592
Employee Benefits	128,414	8,110	236	116,106	54,398	19,420	11,336	42,146	380,166
Total	<u>760,809</u>	<u>42,314</u>	<u>1,806</u>	<u>668,981</u>	<u>318,072</u>	<u>117,341</u>	<u>55,547</u>	<u>169,888</u>	<u>2,134,758</u>
OPERATING EXPENSES									
Other Services	59,610	3,136	10,658	89,196	3,289	3,157	130	2,150	171,326
Supplies & Materials	12,158	11,557	19,858	7,242	1,787	425	91	1,063	54,181
Communications	36,391	369	497	8,771	9,312	5,659	13,586	3,359	77,944
Travel	24,885		3,225	2,244	(47)	4,957		7,143	42,407
Rent	34,290			21,817	8,676	6,204		1,710	72,697
Utilities		2,196							2,196
Repair & Maintenance	21,208	1,390	30,600	7,541	1,501	5,619		1,272	69,131
Other Expenses	47,395	735	4,125	19,522	21,873	1,546		1,206	96,402
Total	<u>235,937</u>	<u>19,383</u>	<u>68,963</u>	<u>156,333</u>	<u>46,391</u>	<u>27,567</u>	<u>13,807</u>	<u>17,903</u>	<u>586,284</u>
EQUIPMENT AND INTANGIBLE ASSETS									
Equipment	22,745	210	2,596	39,120		5,226	150	3,384	73,431
Intangible Assets	3,904			1,870				203	5,977
Total	<u>26,649</u>	<u>210</u>	<u>2,596</u>	<u>40,990</u>		<u>5,226</u>	<u>150</u>	<u>3,587</u>	<u>79,408</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,023,395</u>	<u>\$61,907</u>	<u>\$73,365</u>	<u>\$866,304</u>	<u>\$ 364,463</u>	<u>\$150,134</u>	<u>\$ 69,504</u>	<u>\$191,378</u>	<u>\$2,800,450</u>
GENERAL FUND									
Budgeted	\$1,009,159	\$66,782	\$77,607	\$875,064		\$152,023	\$ 55,712	\$139,277	\$2,375,624
Actual	997,480	61,907	69,800	866,304		150,134	54,634	139,180	2,339,439
Unspent Budget Authority	<u>\$ 11,679</u>	<u>\$ 4,875</u>	<u>\$ 7,807</u>	<u>\$ 8,760</u>		<u>\$ 1,889</u>	<u>\$ 1,078</u>	<u>\$ 97</u>	<u>\$ 36,185</u>
SPECIAL REVENUE FUND									
Budgeted	\$ 83,759		\$10,000		\$ 435,381	\$ 15,000	\$ 15,000	\$ 52,210	\$ 611,350
Actual	25,915		3,565		364,463		14,870	52,198	461,011
Unspent Budget Authority	<u>\$ 57,844</u>		<u>\$ 6,435</u>		<u>\$ 70,918</u>	<u>\$ 15,000</u>	<u>\$ 130</u>	<u>\$ 12</u>	<u>\$ 150,339</u>

¹ See note 6 page A-13.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
BOARD OF VISITORS' PATIENT ACCOUNTS
SCHEDULE OF ADDITIONS AND DEDUCTIONS TO AGENCY FUND
PROPERTY HELD IN TRUST
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994

Property Held in Trust, July 1, 1992	\$ <u>115,497</u>
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Additions:

Fiscal Year 1992-93	462,215
Fiscal Year 1993-94	<u>353,226</u>
Total Additions	<u>815,441</u>

Deductions:

Fiscal Year 1992-93	489,025
Fiscal Year 1993-94	<u>392,300</u>
Total Deductions	<u>881,325</u>

Property Held in Trust, June 30, 1994	\$ <u>49,613</u>
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This schedule was prepared from records maintained by the Board of Visitors and the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1994

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental and Fiduciary Fund(s). In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable.

State accounting policy also requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include: entire budgeted service contracts even though the office received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The office uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Office Special Revenue Funds include expenditures for the Office of Community Service and Flathead Basin Commission and federal grant funds for the Mental Disabilities

Notes to the Financial Schedules

Board of Visitors, the Montana Community Service and Northwest Regional Power Act.

Fiduciary Funds

Agency Funds - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The Mental Disabilities Board of Visitors maintains an Agency Fund for specific Montana State Hospital patient funds. The Board of Visitors functions as custodian of accounts for patients who do not have a legal guardian and has fiscal responsibility for patient moneys.

2. Annual and Sick Leave

Employees at the office accumulate both annual and sick leave. The office pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. The office absorbs expenditures for termination pay in its annual operational costs. At June 30, 1993 and at June 30, 1994, the office had a liability of \$254,213 and \$264,709, respectively.

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System (PERS). The office's contribution to PERS was \$115,507 in fiscal year 1992-93 and \$115,070 in fiscal year 1993-94.

4. General Fund Balance

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.

5. **Cash Transfers**

Cash transfers are net of the cash transfers-in and cash transfers-out as follows:

Environmental Contingency Account - The office maintains an environmental contingency account which is funded from interest income of the Resource Indemnity Trust Fund. Funds are statutorily appropriated from this account for environmental contingencies such as support of emergency water development projects or to preserve vegetation, water, soil, fish, wildlife, or other renewable resources from imminent physical threat in an emergency. The office received cash transfers from the Resource Indemnity Trust Fund of \$119,458 during fiscal 1993-94. At June 30, 1994, this account had a fund balance of \$730,820.

Renewable Resources Grant - The 1993 Legislature replaced General Fund support for the Flathead Basin Commission (FBC) with Resource Indemnity Trust interest Funds. The funds are used to pay the salary of the FBC coordinator. The office received a \$38,849 cash transfer from the Department of Natural Resources & Conservation to cover the costs of the coordinator.

Employee Security Account - The 1993 Legislature approved a budget modification of \$500,000 for the biennium to fund the administration of the Office of Community Service. Funding for this office is from the unemployment insurance administration tax. The office received a cash transfer of \$39,798 from the Department of Labor and Industry in fiscal year 1993-94.

Montana Community Service - The 1993 Legislature established a Montana Community Conservation Volunteer Corps to provide a variety of public service opportunities for Montanans. Administration of the program was assigned to the Governor's Office. Certain state agencies are responsible for developing and implementing community service opportunities consistent with the mission and functions of each agency. These agencies are the Office of Public Instruction, the Montana University System, the Department of Fish, Wildlife and Parks and the Department

Notes to the Financial Schedules

of Military Affairs. The office transferred \$323,589 to the agencies in fiscal year 1993-94.

6. **Northwest Regional Power Act**

The Northwest Power Planning Council's central office took over the funding and accounting of the Montana council office operations beginning June 30, 1993. The governor will continue to set the salary level for the Montana members, and the members will continue to serve at the governor's pleasure.

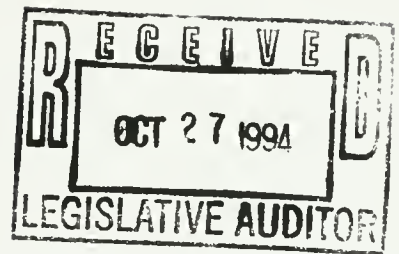
7. **Special Revenue Fund Expenditures**

Governor's Office - Chapter 534, Laws of 1993 established a Special Revenue Account for all National and Community Services funds. The Montana Community Conservation, and Volunteer Service Corps was established to provide a variety of public service opportunities for Montanans. Administration of the program was assigned to the Office of Community Service within the Governor's Office. The office is responsible for coordinating various agencies' efforts in this area. Funding is statutorily appropriated from state and federal special revenue funds. The office received a 1995 biennial appropriation of \$873,749 for the Montana Community Conservation Corps. As discussed in Note 5, there was also a \$500,000 biennial appropriation from unemployment administration tax revenue for administration of the program.

Lieutenant Governor - In fiscal year 1993-94, the office received a biennial appropriation from interest income of the resource indemnity trust of \$127,667 to establish an Office of Public Policy Dispute Resolution (also known as the Montana Consensus Council). The office received an additional \$65,000 appropriation each year of the biennium to come from fees or from private sources. The objective of the office is to act as a conduit to bring interested parties together to provide new and innovative ways to solve natural resource issues.

Office Response

OFFICE OF THE GOVERNOR
STATE OF MONTANA



MARC RACICOT
GOVERNOR



STATE CAPITOL
HELENA, MONTANA 59620-0801

October 27, 1994

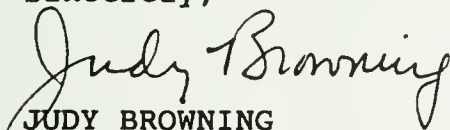
Scott Seacat
Office of the Legislative Auditor
State Capitol
Helena MT 59620

Dear Mr. Seacat:

Attached is the response to the audit of the Offices of the Governor and Lieutenant Governor. We are in agreement with your finding and have taken action to correct the matter.

Enclosed is a copy of a report submitted to the Executive Director of the Legislative Council pursuant to section 46-23-316, MCA. This report reflects relevant activity of the Board of Pardons for the past ten years, since it is unclear whether any such report has ever been filed.

Sincerely,


JUDY BROWNING
Chief of Staff

B-3

Recommendation 1#

We recommend the office:

- A. Comply with state statute requiring the Governor's Office report to the Legislature on Board of Pardons activity; and
- B. If necessary, seek legislation to repeal the statute.

RESPONSE: Agree

A copy of the report required by section 46-23-316, MCA, has been prepared by the Montana Board of Pardons and submitted to the Executive Director of the Legislative Council. Because it appears that no such report has been filed for at least several years, the information in this report covers activity for the last ten years.

The Governor's Office will not seek legislation to repeal the statute, since the information that it requires should be of interest to legislators as well as to the general public.

State of Montana - Board of Pardons Executive Clemency Report

Name	Crime	Date, County, and Sentence	Executive Order Signed	Board Member Objections	Reason
Michael Gary Davies	Assault and Battery with a Weapon	4-1-69, Jefferson, 3yrs Probation, 4mos Jail	4-9-93, Racicot, Pardon	None	Demonstrated exemplary performance
Gene Earl Brown	Issuing a Bad Check	11-14-90, Flathead, 10yrs	11-6-92, Stephens, Commutation	None	Substitute non-dangerous for dangerous designation to allow parole eligibility (terminal illness)
John Dickens Armstrong	Aggravated Assault; Intimidation; Deviate Sexual Conduct; Escape	7-30-79, Dawson, 40yrs	10-7-92, Stephens, Commutation	None	Substitute non-dangerous for dangerous designation to allow parole eligibility (life in danger)
Lynn D. Kirsch	Possession of Dangerous Drugs with Intent to Sell	3-22-82, Missoula, 5yrs	10-19-92, Stephens, Pardon	None	10 years of exemplary adjustment
Edward Keith Joliff	Theft	Fergus, 45 days MSP, 3yrs Probation	10-19-92, Stephens, Pardon	None	Demonstrated exemplary performance
Francis Lee Auld	Negligent Homicide	Missoula, 9yrs w/7yrs 182 days suspended	4-23-92, Stephens, Pardon	None	Demonstrated exemplary performance
Debra Segna	Forgery	Silverbow, 10yrs	11-27-91, Stephens, Pardon	None	Demonstrated exemplary performance
Mark Murnion	Sale of Drugs; Possession of Drugs; Theft	Fergus, 2yrs	4-10-91, Stephens, Pardon	None	Demonstrated exemplary performance
Letha Martz	Issuing Bad Checks	Richland, 3yrs	6-26-90, Stephens, Pardon	None	Demonstrated exemplary performance - employment limitations
Wanda Marie Olsen	Forgery; Possession of Dangerous Drugs	Yellowstone, 2yrs, 6mos	6-12-90, Stephens, Pardon	None	Demonstrated exemplary performance - employment limitations
Robert Richard Reed	Burglary	7-22-83, Custer, 5yrs Probation	5-22-90, Stephens, Pardon	None	Minor offense, no criminal history, and exemplary performance
Arthur Fenton	Issuing Bad Checks	5-10-47, Cascade, 1yr	2-22-90, Stephens, Pardon	None	Length of time elapsed since conviction - exemplary performance

Name	Crime	Date, County, and Sentence	Executive Order Signed	Board Member Objectives	Reason
David C. Keith	Aggravated Kidnapping	4-17-85, Lake, Death	12-29-88, Schwinden, Commutation	Chairman Burgess dissented - Death sentence appropriate	Substituted Life w/out Parole for Death
Scott Koontz	Burglary	4-25-75, Park, 60 days Prison, 3yrs 6mos Probation	5-13-88, Schwinden, Pardon	None	Exemplary performance
John P. Clair	Murder, 2nd	6-2-55, Lewis & Clark, 75yrs	5-13-88, Schwinden, Commutation	None	Committed to time served - length of time served, good adjustment
James L. Smith	Manslaughter	5-2-63, Silverbow, 5yrs	7-23-88, Schwinden, Pardon	None	Exemplary performance for over 20 years
William Foster	Attempted Deliberate Homicide; Robbery	4-23-75, Silverbow, 25yrs	2-9-88, Schwinden, Commutation	None	Sentence commuted to time served
Delmer J. Howard	Murder	11-9-54, Silverbow, 18yrs	2-9-88 Schwinden, Pardon	None	Exemplary performance for nearly 30 years
Charles A. Vestre	Issuing Bad Checks	1-19-54, Flathead, 10yrs	10-16-87, Schwinden, Pardon	None	Exemplary performance, time elapsed since offense, minor offense
Patrick E. Durnam	Possession of Dangerous Drugs, 2cts	1-19-78, Gallatin, 7yrs w/3yrs 6mos suspended	7-20-87, Schwinden, Pardon	None	Exemplary performance
Everette T. Howard	Mitigated Deliberate Homicide; Burglary	6-14-77, Missoula, 25yrs w/15yrs ss; 6-30-64, Silverbow, 3yrs Probation	7-20-87, Schwinden, Pardon and Commutation	None	Committed sentence to time served and granted Pardon. Tremendous rehab effort - Masters degree
Justin Fields	Possession Dangerous Drugs	5-2-75, Yellowstone, 18mos	3-9-87, Schwinden, Pardon	None	Exemplary performance, time elapsed since offense
Eugene E. Patneauce	Sexual Assault	1-14-83, Cascade, 10yrs	12-22-86, Schwinden, Commutation	None	Time commuted from 10yrs to 5yrs - terminal illness (6-8-87 deceased)
William F. Massee	Theft, 5cts	7-1-80, Mcagher, 5yrs Probation	8-21-86, Schwinden, Pardon	None	Exemplary performance
Kenneth M. Ingle	Theft	3-1-82, Lincoln, 5yrs Probation	8-21-86, Schwinden, Pardon	None	Exemplary performance

Name	Crime	Date, County, and Sentence	Executive Order Signed	Board Member Objections	Reason
John G. Fairservice	Burglary	3-28-52, Toole, 3yrs Probation	8-21-86, Schwinden, Pardon	None	Exemplary performance, time elapsed since conviction - employment restrictions
Joseph Miller Sr.	Unauthorized Use of a Motor Vehicle; Forgery	5-19-54, Valley, 3yrs; 2-21-51, Roosevelt, 1yr	2-13-85, Schwinden, Pardon	None	Exemplary performance
Robert L. Olson	Grand Larceny; Forgery; Burglary	5-26-72, Lincoln, 14yrs all ss but 5mos; 5-27-68, Toole, 3yrs 6mos; 10-20-66, Toole, 48mos	2-13-85, Schwinden, Pardon	None	Time elapsed since conviction, exemplary performance
Donald E. Ferriter	Disorderly Conduct; DWI	3-8-81, Lewis & Clark, Bond forfeiture; 7-24-78, Lewis & Clark, Fine	8-13-84, Schwinden, Pardon	None	Business restrictions, exemplary performance
Edwin Rasmussen	Deliberate Homicide	4-30-75, Fergus, 50yrs w/20yrs suspended	7-12-84, Schwinden, Commutation	None	Sentence commuted to 25yrs - end lengthy supervision
Jesse R. Coate	Theft (m)	7-6-83, Rosebud, 30 days Jail suspended	3-16-84, Schwinden, Pardon	None	Exemplary performance
Alex Sam	Armed Robbery	9-30-52, Missoula, 20yrs	3-16-84, Schwinden, Pardon	None	Exemplary performance, time elapsed since conviction
Grace Laverne Chasing Hawk	Negligent Homicide	9-24-75, Yellowstone, 10yrs w/3yrs suspended	1-12-84, Schwinden, Pardon	None	Exemplary performance

